2012 ANNUAL REPORT

CIC Asset Management Inc.

CIC

Asset Management Inc.

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ANALYSIS OF FINANCIAL RESULTS

CIC AMI's focus is on prudently managing the existing portfolio with the mandate to sell its assets in an orderly manner. Investment activity is limited to fulfilling previous commitments and making add-on investments where additional disbursements will protect the value of CIC AMI's assets. CIC AMI is not seeking any new investment opportunities.

This narrative on CIC AMI's consolidated 2012 financial results should be read in conjunction with the audited consolidated financial statements.

COMPARISON OF 2012 RESULTS WITH 2011 RESULTS

The following table presents a five year comparison of CIC AMI's financial results:
(millions of dollars)

	2012	2011	2010	2009[1]	2008[1]
Key Financial Information					
Revenue	$ 11.8	$ 4.9	$ 9.9	$ 108.7	$ 202.4
(Loss) gain on sale of investments	(0.4)	2.0	(1.1)	10.8	690.6
Operating expenses	(1.2)	(1.4)	(2.2)	(131.9)	(164.1)
Investment (write-down) recoveries	(12.2)	(17.7)	(18.9)	(26.9)	0.3
(Provision for) recovery of environmental remediation liabilities	(3.0)	41.8	(4.0)	(3.6)	(48.2)
Recovery of reinsurance liabilities	-	4.9	-	-	-
Other revenue (expenses)	0.7	0.8	(0.9)	10.1	10.0
(Loss) earnings	$ (4.3)	$ 35.3	$ (17.2)	$ (32.8)	$ 691.0

[1] Amounts for 2009 and 2008 were prepared under former Canadian Generally Accepted Accounting Principles.

REVENUE

Total revenue (revenue and gain/loss on sale of investments) increased $4.5 million in 2012, to $11.4 million, explained by the following:

- Decreased interest revenue of $2.6 million in 2012, primarily due to repayment and interest deferrals on one of CIC AMI's debt investments;
- Increase in CIC AMI's share of equity earnings of $9.6 million in 2012 compared to 2011, attributable to positive 2012 earnings generated by CIC AMI's significant commodity based investment, Meadow Lake OSB Limited Partnership, and reduced 2012 equity losses from CIC AMI's investment in Big Sky Farms Inc.; and
- Increase in loss on sale of investments of $2.4 million in 2012, primarily due to non-recurring gains realized on sale of investments by one of CIC AMI's consolidated entities in 2011.

OPERATING EXPENSES

Operating expenses decreased in 2012 to $1.2 million compared to $1.4 million in 2011, primarily due to decreased consulting and investment management costs as CIC AMI executes its mandate by prudently exiting existing investments.

IMPAIRMENT OF INVESTMENTS

Provisions for loan losses and net change in value of investments decreased to $12.2 million in 2012 from $17.7 million in 2011, a decrease of $5.5 million.

COMPARISON OF 2012 RESULTS WITH 2011 RESULTS *(continued)*

Details of the provisions and impairments in 2012 and 2011 are as follows:
(millions of dollars)

	2012	2011
Provision for Loan Losses and Net Change in Value of Investments[1]		
Provision for loan losses	$ 15.3	$ 3.4
Decrease in carrying value of FVTPL[2] investments	4.1	8.1
Impairment of equity accounted investments	0.3	8.7
Recovery of previous impairments of investments and loans	(7.5)	(2.5)
Net provision for loan losses and impairment of investments	$ 12.2	$ 17.7

[1] The occurrence and extent of provisions and write-downs is estimated according to CIC AMI's internal valuation process. The process includes an assessment of the historical and projected financial results of investees, their technological feasibility and significant changes during the year, reasonability of internal forecasts, and likely proceeds in the event of a sale.
[2] Fair Value through Profit or Loss (FVTPL).

During 2012, CIC AMI recognized the following provision for loan losses, changes in FVTPL investments and impairment of equity accounted investees:

- $0.4 million provision for its debt investment in Clothing For Modern Times Ltd.;
- $14.8 million provision for its debt investment in Terra Grain Fuels Ltd.;
- $3.8 million decrease in the value of its FVTPL investment in Phenomenome Discoveries Inc.;
- $0.7 million decrease in the value of its FVTPL investment in Quantec Geoscience Limited;
- $0.3 million impairment in the value of its equity accounted investment in Big Sky Farms Inc.;
- $0.3 million increase in the value of its FVTPL investments held and managed by one of AMI's subsidiaries; and
- $7.5 million recovery in the value of its equity accounted investment in Meadow Lake OSB Limited Partnership.

RECOVERY OF ENVIRONMENTAL REMEDIATION LIABILITIES

CIC AMI is legally obligated to undertake necessary environmental clean-up activities on certain properties. CIC AMI estimates the cost based on advice given by experts in environmental remediation. Due to evolving environmental laws, enforcement and clean-up practices estimates may change over time. During the year, CIC AMI increased its estimated costs to perform environmental remediation to properties in Prince Albert, Meadow Lake and Saskatoon by $3.0 million (2011 - $41.8 million decrease). At year end CIC AMI had environmental liabilities recorded for the ERCO Worldwide chemical plant in Saskatoon ($53.0 million), Prince Albert pulp mill site ($10.4 million) and Meadow Lake pulp mill site ($0.4 million).

OPERATING, INVESTING AND FINANCING ACTIVITIES

(millions of dollars)

	2012	2011
Cash Flow Highlights		
Net cash from operating activities	$ 3.7	$ 8.9
Net cash from (used in) investing activities	2.5	(48.4)
Net cash used in financing activities	(17.0)	(1.4)
Net change in cash	$ (10.8)	$ (40.9)

Net cash from operating activities decreased $5.2 million in 2012 compared to 2011, primarily due to a decrease in 2012 interest income of $2.6 million, and $2.6 million of non-recurring cash gains on collection of assets and gains from settlement of liabilities, which occurred in 2011.

COMPARISON OF 2012 RESULTS WITH 2011 RESULTS *(continued)*

OPERATING, INVESTING AND FINANCING ACTIVITIES *(continued)*

Net cash from investing activities increased $50.9 million in 2012, primarily due to a $61.0 million reduction of cash used for short term investment purchases compared to 2011, offset by a $28.8 million decrease in cash provided by change in restricted cash in 2012. Further, sales of investments generated $18.6 million in cash proceeds in 2012, compared to $6.6 million in 2011, primarily due to the timing of investment sales in accordance with CIC AMI's mandate. Cash used in the settlement of reinsurance provisions decreased by $6.0 million in 2012, while purchases of investments resulted in a use of cash of $3.2 million in 2012, compared to $3.9 million in 2011.

Net cash used in financing activities increased by $15.6 million in 2012 compared to 2011. The primary cause of the increase in use of cash was a $15.0 million dividend to CIC in 2012. CIC AMI did not redeem shares in 2012.

LIQUIDITY

CIC AMI finances capital requirements through interest received on cash balances and cash returns from investments. CIC AMI is authorized to borrow from CIC and external financial institutions. The Province of Saskatchewan's General Revenue Fund (GRF) may borrow in capital markets on behalf of CIC and has ample access to capital markets for any potential borrowing requirements. At December 31, 2012, CIC AMI has no external debt. CIC AMI is not expecting to make any significant investments in 2013; therefore, any investments and costs associated with investment activities can be met through CIC AMI's cash reserves.

INVESTMENT MANAGEMENT

Investments and related risks are diligently monitored on an ongoing basis with periodic reporting to the Corporation's executive and the Board of Directors pertaining to investment returns, risks and investment retention or sale.

CIC AMI regularly assesses the appropriateness of the carrying value of its investments, and writes-down an investment if it determines its carrying value is not supported under the criteria set out by International Financial Reporting Standards. Investments classified as FVTPL are measured at fair value, and changes therein are recognized through profit or loss. CIC AMI records its publicly traded investments based on market trading prices at the reporting date. Notwithstanding these write-downs and provisions, CIC AMI continues to strive to optimize the ultimate returns from these investments through such measures as continued development of the underlying investment's business, involvement in sale negotiations, and actively pursuing alternate means of collection where warranted.

CIC AMI's mandate is to prudently manage and divest the existing portfolio while making add-on investments only when it appears that additional disbursements will protect the asset to facilitate a suitable divestiture.

During 2012, CIC AMI's investment portfolio decreased by $21.6 million to $67.2 million as follows:
(millions of dollars)

	2012	2011
Investment Continuity Schedule		
Investments, beginning of year	$ 88.8	$ 113.5
Investment sale proceeds	(18.6)	(6.6)
(Loss) gain on sale of investments	(0.4)	2.0
Equity earnings (losses)	6.9	(2.7)
Other comprehensive income (loss) related to investments	0.2	(0.3)
Write-down of investments	(19.7)	(17.7)
Change in previous impairments of investments and loans	7.5	(2.5)
Purchase of investments	3.2	3.9
Other	(0.7)	(0.8)
Investments, end of year	$ 67.2	$ 88.8

INVESTMENT MANAGEMENT *(continued)*

During the year, CIC AMI sold assets with a book value of $4.9 million for proceeds of $4.5 million netting a loss on sale of $0.4 million. During 2012, the following asset disposals and additions were made:

(millions of dollars)

	Cash proceeds on disposal	Cash outlay for additions
Investments		
Clothing for Modern Times Ltd.	$ 4.3	$ -
Foragen Technologies Limited Partnership	5.2	-
MCN Bioproducts Inc.	2.2	-
Quantec Geoscience Ltd.	3.3	-
Collection of loan portfolio principal payments	1.6	-
Meadow Lake OSB Limited Partnership	-	(2.5)
Investments made by one of CIC AMI's subsidiaries' and other	2.0	(0.7)
	$ 18.6	$ (3.2)

KEY ENTERPRISE RISKS, MITIGATIONS, AND ACTION PLANS

CIC AMI has undertaken an Enterprise Risk Management (ERM) assessment process, identifying significant risks to the entity, and the adequacy of risk mitigation measures in place. Significant risks identified in the ERM process and procedures in place to mitigate significant risks were:

- CIC AMI is legally obligated for the costs associated with the remediation of certain environmental liabilities from legacy investments. CIC AMI identified a risk that the remediation costs could exceed CIC AMI's assets, resulting in a funding shortfall. CIC AMI has mitigated this risk by retaining third party environmental specialists to monitor and assess the liabilities until such time remediation can be performed. CIC AMI incorporates third party estimates of remediation costs when determining available cash for distribution to CIC.
- The prudent and orderly divestiture of CIC AMI's investments requires significant judgement when identifying divestiture opportunities, specifically regarding the appropriate timing and acceptable pricing for transactions. Associated risks include potential for mistiming the divestiture of an investment by prematurely exiting an investment during temporarily depressed market conditions, or deferring divestiture in expectation of market improvements which ultimately do not materialize. The underlying volatility of CIC AMI's venture capital portfolio and the portfolio's high sensitivity to changes in industry and economic factors increase the complexity of the divestiture process. CIC AMI has implemented investment valuation procedures to assist in clarifying differentials between price and value for potential transactions, providing market context to offers received. CIC AMI relies on both internal and third party valuation specialists applying the valuation standards and principles as set out by the Canadian Institute of Chartered Business Valuators.

CIC AMI's identified risks, including the significant risks listed above, have been incorporated in CIC's ERM process. While CIC AMI remains responsible for monitoring and mitigating its identified risks, the evaluation and adequacy of CIC AMI's risk management process is managed by CIC.

LOOKING AHEAD TO 2013

CIC AMI's outlook related to investment values, earnings and cash flow performance, as well as dividend payment and long-term self-supporting abilities are highly dependent on the performance and management of the underlying investment portfolio. As the investment portfolio is reduced under CIC AMI's mandate, each remaining investment constitutes a proportionately larger component of the remaining portfolio. CIC AMI expects higher volatility in financial performance in 2013 and thereafter, largely attributable to reduced diversification as investments are exited.

CIC AMI is budgeting earnings of $4.1 million in 2013. CIC AMI's earnings are closely tied to the commodity values of oriented strand board (Meadow Lake OSB Limited Partnership) and ethanol (Terra Grain Fuels Inc.). CIC AMI's 2013 budgeted earnings assumes the positive results experienced during 2012 in the oriented strand board sector will be sustained through 2013, and that western Canadian ethanol producers will operate on a break even basis through 2013.

CIC AMI anticipates exiting a number of investments in 2013, although timing of sales is dictated by market conditions. CIC AMI is prepared to defer the sale of investments where additional value will be created through an investment's organic growth and development, or through an improvement in market conditions. Any additional investments placed will be limited to select add-on investments which may be required to achieve commercialization or sale of existing investments in the portfolio. Current economic conditions may result in a decision to delay some of the anticipated exits if it is felt that the current market value cannot be optimized during 2013.

CIC AMI's cash disbursements to CIC (either share redemptions or dividends) are dependent on the cash requirements of CIC AMI. CIC AMI anticipates available cash to provide CIC with a return in 2013.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by management of CIC Asset Management Inc. They have been prepared in accordance with International Financial Reporting Standards, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the consolidated financial statements and other information contained in the Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, the Corporation's external auditors KPMG LLP, and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that financial controls are adequately functioning.

KPMG LLP has audited the consolidated financial statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the consolidated financial statements, appears on the following page.

Rae Haverstock
Managing Director

February 25, 2013

ANNUAL STATEMENT OF MANAGEMENT RESPONSIBILITY

I, Rae Haverstock, the Managing Director of CIC Asset Management Inc. and I, Adam Lowther, the Chief Financial Officer of CIC Asset Management Inc., certify the following:

That we have reviewed the consolidated financial statements included in the Annual Report of CIC Asset Management Inc. Based on our knowledge, having exercised reasonable diligence, the consolidated financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2012.

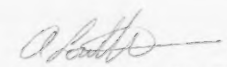
That based on our knowledge, having exercised reasonable diligence, the consolidated financial statements included in the Annual Report of CIC Asset Management Inc. do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

That CIC Asset Management Inc. is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and CIC Asset Management Inc. has designed internal controls over financial reporting that are appropriate to the circumstances of Crown Investments Corporation of Saskatchewan.

That CIC Asset Management Inc. conducted its assessment of the effectiveness of the Corporation's internal controls over financial reporting and, based on the results of this assessment, CIC Asset Management Inc. can provide reasonable assurance that internal controls over financial reporting as of December 31, 2012 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

On behalf of Management:

Rae Haverstock
Managing Director



Adam Lowther, CA, CBV
Chief Financial Officer

February 25, 2013

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying consolidated financial statements of **CIC Asset Management Inc.**, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of comprehensive (loss) income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of CIC Asset Management Inc. as at December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

February 25, 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31
(thousands of dollars)

	Note	2012	2011
ASSETS			
Current			
Cash and cash equivalents	5	$ 77,429	$ 88,266
Short-term investments	7	88,186	74,593
Interest and dividends receivable		743	434
Accounts receivable		328	756
Restricted cash	6	7,680	7,656
		174,366	171,705
Investments	7	21,779	54,942
Investments in equity accounted investees	8	45,430	33,857
Restricted cash	6	4,872	4,900
		$ 246,447	$ 265,404
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables		$ 2,215	$ 2,357
Provisions for environmental remediation liabilities	9	63,766	60,797
		65,981	63,154
Shareholders' Equity			
Share capital	10	80,000	80,000
Contributed surplus		125	125
Retained earnings		95,068	114,367
Accumulated other comprehensive loss	11	(477)	(670)
Equity attributable to Crown Investments Corporation of Saskatchewan (CIC)		174,716	193,822
Non-controlling interest		5,750	8,428
Total shareholders' equity		180,466	202,250
		$ 246,447	$ 265,404
Commitments and contingencies (See accompanying notes)	12		

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) INCOME

For the Year Ended December 31

(thousands of dollars)

	Note	2012	2011
REVENUES			
Interest and other		$ 5,000	$ 7,618
Share of earnings (losses) of equity accounted investees	8	6,865	(2,715)
(Loss) gain on sale of investments		(423)	1,965
		11,442	6,868
EXPENSES			
Operating		1,182	1,411
EARNINGS BEFORE THE FOLLOWING		10,260	5,457
(Provision for) recovery of environmental remediation liabilities	9	(2,997)	41,798
Provision for loan losses		(15,262)	(3,363)
Net change in value of investments		3,054	(14,320)
Recovery of reinsurance liabilities		-	4,965
(LOSS) EARNINGS BEFORE NON-CONTROLLING INTEREST		(4,945)	34,537
Non-controlling interest		646	771
NET (LOSS) EARNINGS ATTRIBUTABLE TO CIC		(4,299)	35,308
OTHER COMPREHENSIVE INCOME (LOSS)			
Net change in unrealized foreign currency translation losses		193	(265)
OTHER COMPREHENSIVE INCOME (LOSS)		193	(265)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO CIC		$ (4,106)	$ 35,043

(See accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31

(thousands of dollars)

	Attributable to CIC					
	Share Capital (Note 10)	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss (Note 11)	Total	Non-Controlling Interest	Total Equity
Balance at January 1, 2011	$ 80,000	$ 161	$ 79,059	$ (405)	$ 158,815	$ 10,352	$ 169,167
Net earnings	-	-	35,308	-	35,308	(771)	34,537
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	(1,411)	(1,411)
Net change in unrealized foreign currency translation	-	-	-	(265)	(265)	-	(265)
Other	-	(36)	-	-	(36)	258	222
Balance at December 31, 2011	$ 80,000	$ 125	$ 114,367	$ (670)	$ 193,822	$ 8,428	$ 202,250
Balance at January 1, 2012	**$ 80,000**	**$ 125**	**$ 114,367**	**$ (670)**	**$ 193,822**	**$ 8,428**	**$ 202,250**
Net loss	**-**	**-**	**(4,299)**	**-**	**(4,299)**	**(646)**	**(4,945)**
Dividends paid to non-controlling interests of subsidiaries	**-**	**-**	**-**	**-**	**-**	**(2,032)**	**(2,032)**
Dividends paid to parent	**-**	**-**	**(15,000)**	**-**	**(15,000)**	**-**	**(15,000)**
Net change in unrealized foreign currency translation	**-**	**-**	**-**	**193**	**193**	**-**	**193**
Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at December 31, 2012	$ 80,000	$ 125	$ 95,068	$ (477)	$ 174,716	$ 5,750	$ 180,466

(See accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31

(thousands of dollars)

	Note	2012	2011
OPERATING ACTIVITIES			
Net (loss) earnings		$ (4,299)	$ 35,308
Items not affecting cash from operations	13	8,061	(25,432)
Net change in non-cash working capital balances related to operations	14	(23)	(993)
Net cash from operating activities		3,739	8,883
INVESTING ACTIVITIES			
Proceeds from sale and collection of investments		18,553	6,568
Purchase of investments		(3,231)	(3,899)
Increase in short-term investments		(13,593)	(74,593)
Decrease in restricted cash and other assets and liabilities		727	29,522
Settlement of reinsurance provision		-	(6,007)
Net cash from (used in) investing activities		2,456	(48,409)
FINANCING ACTIVITIES			
Dividends paid to non-controlling interests of subsidiaries		(2,032)	(1,411)
Dividends paid to CIC		(15,000)	-
Net cash used in financing activities		(17,032)	(1,411)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR		(10,837)	(40,937)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		88,266	129,203
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 77,429	$ 88,266

(See accompanying notes)

1. GENERAL INFORMATION

CIC Asset Management Inc. [(AMI) or (the Corporation)] is a corporation domiciled in Canada. The address of AMI's registered office and principal place of business is 400 - 2400 College Avenue, Regina, SK, S4P 1C8. AMI has a mandate to prudently manage and divest of its portfolio of investments. The consolidated financial statements of AMI comprise AMI and its subsidiaries and AMI's interest in associates and jointly controlled entities with principal activities as described in Note 3(a).

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Accounting Standards (IFRS). The consolidated financial statements were authorized for issue by the Board of Directors on February 25, 2013.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the significant accounting policies set out in Note 3.

c) Functional and presentation currency

The consolidated financial statements are presented in Canadian Dollars, which is AMI's functional currency.

d) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Significant items subject to estimates and assumptions include the carrying amounts of accounts receivable and investments, the accounting for special purpose entities, the fair value of financial instruments and provisions for environmental remediation liabilities and reinsurance obligations, and disclosure of contingent liabilities. These significant areas are further described in Notes 7, 8, 9, 12 and 16.

e) Use of judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements that affect the application of accounting policies. Significant items subject to judgement include the accounting policies listed in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements. The accounting policies have been consistently applied by AMI's subsidiaries.

a) Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Corporation has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities, generally indicated by the Corporation holding more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Corporation controls another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Identifiable assets acquired, liabilities, and contingent liabilities assumed in a business

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a) Basis of consolidation *(continued)*

Subsidiaries *(continued)*

combination are measured initially at their fair values at the acquisition date, irrespective of any minority interest. The excess of the cost of acquisition over the fair value of the Corporation's share of the identifiable net assets acquired is recorded as goodwill.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by AMI.

These consolidated financial statements include the accounts of CIC Asset Management Inc. and its subsidiaries:

101069101 Saskatchewan Ltd.
CIC WLSVF Holdings Inc.
CIC Foods Inc.
CIC FTLP Holdings Inc.
CIC FTMI Holdings Inc.
CIC OSB Products Inc.
CIC PVF Holdings Inc.
CIC Pulp Ltd.
HARO Financial Corporation
Investment Saskatchewan Swine Inc.
Invest Sask Holdings Inc.

Associates and jointly controlled entities (investments in equity accounted investees)

Associates are those entities in which AMI has a significant influence, but not control, over strategic financial and operating policy decisions. Significant influence is presumed to exist when AMI holds between 20.0 and 50.0 per cent of the voting power of another entity. Jointly controlled entities are those entities over whose activities AMI has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method and are recognized initially at cost. AMI's investment includes any goodwill and intangible assets identified at acquisition, net of accumulated impairment losses. The consolidated financial statements include AMI's share of the total comprehensive income and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of AMI, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When AMI's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to Nil and the recognition of further losses is discontinued except to the extent that AMI has an obligation or has made payments on behalf of the investee.

Special purpose entities

AMI has established certain special purpose entities (SPEs) for trading and investment purposes. An SPE is consolidated if, based on an evaluation of the substance of its relationship with AMI and the SPE's risks and rewards, AMI concludes that it controls the SPE. SPEs controlled by AMI were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in AMI receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

AMI has determined that Meadow Lake Pulp Limited Partnership (MLPLP) falls under the classification of an SPE and has been consolidated in these financial statements.

Other equity investments

The Corporation holds a number of equity investments which are not joint ventures, and over which the Corporation is unable to exercise control or significant influence. These investments are recorded as fair value through profit or loss as outlined in Note 7.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a) Basis of consolidation *(continued)*

Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealized income and expenses arising from inter-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with investments in equity accounted investees are eliminated against the investment to the extent of AMI's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Cash and cash equivalents

Cash and cash equivalents include short-term investments that have a maturity date of ninety days or less.

c) Financial instruments

AMI classifies its financial instruments into one of the following categories: fair value through profit or loss; loans and receivables; available-for-sale; and other liabilities.

Financial assets and liabilities are not offset with the net amount reported on the consolidated statement of financial position unless there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

All financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments at fair value through profit or loss in which case the transaction costs are expensed as incurred. Measurement in subsequent years depends on the classification of the financial instrument.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized through profit or loss, refer to Note 16.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale

A financial asset is classified as available-for-sale when it is designated as such or is not classified in any of the previous categories. Financial assets are designated in the available-for-sale category when their fair value cannot be estimated reliably; as such they are recorded at cost.

Non-derivative financial liabilities

The Corporation initially recognizes a financial liability on the date it is originated. All other financial liabilities, including liabilities designated at fair value through profit or loss, are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Corporation does not net financial assets or liabilities for presentation in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) **Financial instruments** *(continued)*

Non-derivative financial liabilities *(continued)*

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Embedded derivatives

Derivatives may be embedded in other host instruments and are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in profit or loss. AMI had no contracts with embedded derivatives at December 31, 2011 and December 31, 2012.

d) **Impairments**

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset which can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to AMI on terms that AMI would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the asset. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Investments in equity accounted investees

The carrying amounts of investments in equity accounted investees are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the equity accounted investment's recoverable amount is estimated. The recoverable amount of an equity accounted investment is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the equity accounted investment.

An impairment loss is recognized if the carrying amount of an equity accounted investment exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the equity accounted investment's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Provisions

A provision is recognized if, as a result of a past event, AMI has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the discount on provisions is recognized in the consolidated statement of comprehensive (loss) income.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Environmental remediation

A provision for environmental remediation is accrued when the occurrence of an environmental expenditure, related to present or past activities of AMI, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations and remediation at identified sites. These provisions are based on management's best estimate considering current environmental laws and regulations and are recorded at fair value. AMI reviews its estimates of future environmental expenditures on an ongoing basis.

f) Revenue recognition

Revenues are recognized in the year the services are provided when there is clear proof that an arrangement exists, amounts are determinable and the ability to collect is reasonably assured.

Interest earned on investments is recognized on an accrual basis except where uncertainty exists as to ultimate collection. In cases where collectability of interest is not reasonably assured, interest is recorded when it is received and accrued interest receivable is offset by deferred interest.

Dividends are recorded as income when received or receivable for all investments in which the Corporation does not exercise significant influence.

g) Foreign currency transactions

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Canadian dollars at the exchange rate at that date. Non-monetary assets and liabilities are translated using the exchange rates on the date of the transactions. Foreign currency differences arising on translation are recognized in profit or loss, except for differences arising on the translation of qualifying cash flow hedges, which are recognized in other comprehensive income.

The assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rate on the reporting date. The revenue and expenses of foreign operations are translated to Canadian dollars using exchange rates on the dates of the transactions. Translation adjustments arising from changes in the exchange rate are reflected in other comprehensive income. When a foreign operation is disposed of the related accumulated translation adjustment is transferred to profit or loss as part of the gain or loss on disposal.

h) Finance income and expenses

Finance income - as an investment company, the Corporation has chosen to record gains on sale of investments through profit or loss in revenues, and changes in fair value of financial assets at fair value through profit or loss in net change in value of investments. Interest income is also recognized in profit or loss using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h) **Finance income and expenses** *(continued)*

Finance expenses - changes in the fair value of financial assets at fair value through profit or loss are recorded to net change in value of investments.

On the consolidated statement of cash flows, interest and dividends received are classified as an operating activity, and dividends paid are classified as a financing activity.

i) **New standards and interpretations not yet adopted**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2012, and have not been applied in preparing these consolidated financial statements. In particular, the following new and amended standards which become effective for years beginning on or after January 1, 2013 are:

IFRS 9, *Financial Instruments*

IFRS 9 was issued by the IASB on November 12, 2009 and will replace International Accounting Standard (IAS) 39, *Financial Instruments: Recognition and Measurement.* The standards are to be applied prospectively and will be effective for annual periods beginning on or after January 1, 2015.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. Under IFRS 9, financial assets will generally be measured initially at fair value plus particular transaction costs, and subsequently at either amortized cost or fair value. In October 2010, the IASB issued additions to IFRS 9 relating to accounting for financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's credit risk in other comprehensive income, rather than within profit or loss. The Corporation is reviewing the standard to determine the potential impact, if any, on the consolidated financial statements.

IFRS 10, *Consolidated Financial Statements* and IAS 27, *Separate Financial Statements*

IFRS 10 and IAS 27 were issued by the IASB on May 12, 2011, and together will replace IAS 27, *Consolidated and Separate Financial Statements.* The standards are to be applied retrospectively, in most circumstances, and will be effective for annual periods beginning on or after January 1, 2013.

IFRS 10 includes requirements related to consolidated financial statements. It builds on existing principles by establishing a single control model to assess whether an investee should be consolidated. The model focuses on exposure or rights to variability in returns versus the previous concept of benefits.

IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the entity prepares separate financial statements.

The Corporation has reviewed the new standards and determined the adoption of IFRS 10 and IAS 27 will have no material impact on its consolidated financial statements.

IFRS 11, *Joint Arrangements*

IFRS 11 was issued by the IASB on May 12, 2011, and will replace IAS 31, *Interests in Joint Ventures.* The standards are applied prospectively and effective for annual periods beginning on or after January 1, 2013.

IFRS 11 requires a party to a joint arrangement to determine the type of arrangement, either a joint operation or a joint venture, by assessing its rights and obligations arising from the arrangement. The option of using proportionate consolidation for jointly controlled entities has been eliminated under IFRS 11.

Under IAS 31, the Corporation classifies its investment in Foragen Technologies Limited Partnership (Foragen) as a jointly controlled entity and uses the equity method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) New standards and interpretations not yet adopted *(continued)*

IFRS 11, *Joint Arrangements* *(continued)*

The Corporation has determined that upon adoption of IFRS 11, the investment in Foragen will meet the definition of a joint venture and will continue to be accounted for using the equity method. The Corporation therefore expects that adoption will have no impact on the consolidated financial statements.

IFRS 12, *Disclosure of Interests in Other Entities*

IFRS 12 was issued by the IASB on May 12, 2011. The standards are to be applied prospectively and will be effective for annual periods beginning on or after January 1, 2013.

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and unconsolidated structured entities. The new disclosure requirements will be included in the December 31, 2013 consolidated financial statements.

IFRS 13, *Fair Value Measurement*

IFRS 13 was issued by the IASB on May 12, 2011. The standard is applied prospectively and effective for annual periods beginning on or after January 1, 2013.

IFRS 13 defines fair value, sets out a framework for measuring fair value, and introduces consistent requirements for disclosures on fair value measurements. The Corporation is currently assessing the impact of the new recommendations and will include new disclosure requirements in the December 31, 2013 consolidated financial statements.

Amendments to IAS 1, *Presentation of Financial Statements*

An amended version of IAS 1 was issued by the IASB on June 16, 2011. The amendments are to be applied retrospectively effective for annual periods beginning on or after July 1, 2012.

The amendments introduce changes to the presentation of items in other comprehensive income. The Corporation has reviewed the amendments and determined that adoption will have no material impact on its consolidated financial statements.

IAS 28, *Investments in Associates and Joint Ventures*

An amended version of IAS 28 was issued by the IASB on May 12, 2011. The standards are to be applied prospectively and will be effective for annual periods beginning on or after January 1, 2013.

IAS 28 was amended to incorporate accounting for joint ventures because the equity method is now applicable to both joint ventures and associates. IAS 28 continues to prescribe the accounting for investments in associates, but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. The Corporation has determined that adoption of the amendments will have no material impact on its consolidated financial statements.

4. STATUS OF CIC ASSET MANAGEMENT INC.

The Corporation was incorporated under *The Business Corporations Act (Saskatchewan)* on November 14, 1979 as a wholly-owned subsidiary of CIC, a provincial Crown corporation. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and is not subject to federal and provincial income taxes. Certain of the Corporation's investments are subject to federal and provincial income taxes.

5. CASH AND CASH EQUIVALENTS

(thousands of dollars)

The major components of cash and cash equivalents are as follows:

	2012	2011
Cash on deposit	$ 4,315	$ 41,573
Short-term investments	73,114	46,693
	$ 77,429	$ 88,266

The weighted average interest rate for short-term investments included in cash and cash equivalents at December 31, 2012 was 1.12 per cent (2011 - 1.06 per cent).

6. RESTRICTED CASH

(thousands of dollars)

AMI holds the following cash and cash equivalents restricted for use:

	2012 Current	2012 Non-Current	2011 Current	2011 Non-Current
Meadow Lake Pulp Limited Partnership (a)	$ 7,680	$ 4,872	$ 7,656	$ 4,900

a) The current portion of restricted cash is held by the receiver of Meadow Lake Pulp Limited Partnership which is subject to an order of the Court of Queen's Bench of Saskatchewan. At December 31, 2012 the non-current portion of restricted cash had been paid to the Corporation, and was then placed in trust for the future remediation and monitoring costs associated with Meadow Lake Pulp Limited Partnership site, subject to the order of the Court of Queen's Bench of Saskatchewan. During the year, $28 thousand was incurred for monitoring costs, as provided for under the court order.

7. INVESTMENTS

(thousands of dollars)

	2012	2011
Short-term investments - at fair value through profit or loss	$ 88,186	$ 74,593
Fair value through profit and loss		
BlackPearl Resources Inc.	$ 274	$ 373
Just Energy Group Inc.	322	389
MCN BioProducts Inc. (a)	-	2,000
Pengrowth Energy Corp.	289	-
NAL Energy Corp.	-	536
PetroBakken Energy Ltd.	429	1,072
Phenomenome Discoveries Inc. (b)	-	3,754
Prairie Ventures Limited Partnership - private equity (c)	7,756	8,477
Primaxis	101	101
Quantec Geoscience (d)	-	3,950
Zargon Oil & Gas Ltd.	247	403
	9,418	21,055
Loans and other advances		
Terra Grain Fuels Inc. (e)	9,006	24,726
Clothing For Modern Times Ltd. (f)	-	6,756
2313329 Ontario Ltd. (f), (g)	2,040	-
Other	1,315	2,405
	12,361	33,887
Total investments	$ 21,779	$ 54,942

a) During the year the Corporation sold its equity investment in MCN BioProducts for proceeds of $2.2 million, resulting in a gain on sale of $0.2 million.

b) As at December 31, 2012 the Corporation recorded a write-down of its investment in Phenomenome Discoveries Inc. (PDI) of $3.8 million, based on PDI's issuance of securities with priority above that of the Corporation, continued operating and cash losses, and near-term forecast operating results.

c) Under the Corporation's investment management agreement with Prairie Ventures Limited Partnership (PVLP), certain privacy and competitive factors prevent AMI from disclosing fair value information at an individual investment level detail for equity investments in private entities held through PVLP. Therefore the fair value for these investments has been reported in total.

d) On March 16, 2012, the Corporation exercised its right to request the redemption of its shares in Quantec Geoscience Limited (Quantec) at the higher of their fair market value or original cost. An independent valuation specialist was engaged to determine the fair market value of the Corporation's shares as at February 28, 2012. Upon receipt of the valuation report, the carrying value of the Corporation's investment was reduced by $0.7 million resulting in a carrying value of $3.3 million, consistent with the specialist's report. On November 16, 2012 the share redemption was executed and the Corporation received proceeds of $3.3 million in exchange for 100 per cent of its shares in Quantec.

7. INVESTMENTS *(continued)*

e) At December 31, 2012, the Corporation performed impairment testing of its loan portfolio and determined indicators of impairment existed for its subordinated debt investment in Terra Grain Fuels Inc. (TGF). At December 31, 2012, TGF had requested and was granted forbearance from the subordinated lending syndicate which includes the Corporation. At December 31, 2012, broad economic factors such as mid-term input price forecasts combined with excess ethanol production capacity in the United States resulted in the Corporation identifying scenarios where TGF would not be able to meet the repayment schedule as set out in the original loan agreement. Based on the application of accounting standards for the impairment testing of loans and receivables, the Corporation recorded impairment to principal of $14.8 million in addition to $0.6 million recorded as an impairment of accrued interest.

f) In 2011, Clothing For Modern Times Ltd. (CFMT) entered receivership and was granted creditor protection under the *Companies' Creditors Arrangement Act* (CCAA). Based on a proposal before the receiver at December 31, 2011, the Corporation recorded impairment on the CFMT debt of $1.0 million.

On March 22, 2012, as part of the CCAA process, the Corporation was assigned a loan in 2313329 Ontario Ltd. (2313329) a company related to CFMT which purchased a number of CFMT's stores during the CCAA process. The loan's face value was $3.5 million, accruing interest at 5.0 per cent, with all interest and principal due March 21, 2013. AMI considers the assignment of the loan to comprise an exchange of a portion of the Corporation's original loan to CFMT for the loan receivable from 2313329. On March 22, 2012, the Corporation recorded the loan to 2313329 at its estimated fair value of $2.6 million, according to the effective interest rate method. No gain or loss was recorded upon the assignment of the 2313329 loan, as ultimate recoverable proceeds on the original CFMT loan balance remained uncertain.

On May 18, 2012, the court order facilitating restructuring under CCAA expired, and on June 6, 2012, CFMT filed an assignment in bankruptcy. The receiver estimated CFMT had adequate estimated residual assets to return $5.1 million to AMI as a final distribution on the original CFMT loan. As the total proceeds available to AMI were contingent on the receiver's ability to liquidate the remaining non cash assets of CFMT at the estimated amount, AMI considered the fair value of the amount due from the receiver to be $4.6 million. Including the anticipated proceeds from receivership with the assignment of 2313329's loan resulted in a fair value of $6.7 million.

As the terms of the loan to 2313329 and the residual assets of CFMT represented materially different terms and cash flows than did the initial loan to CFMT, the loan to CFMT was derecognized and two separate financial instruments recognized. The loan to 2313329 was recorded at its estimated fair value at March 22, 2012 of $2.6 million, reflecting an estimated effective interest rate of 40.0 per cent. The residual proceeds due from the receiver were recorded as accounts receivable with a fair value at June 6, 2012 of $4.6 million. Upon the recognition of these financial instruments, the original CFMT loan was derecognized resulting in a $0.5 million recovery of previous impairments.

During the year, AMI received $4.3 million in proceeds related to the $4.6 million of CFMT residual assets initially recognized, with the remaining $0.3 million written off as uncollectable at December 31, 2012.

g) As detailed in Note 7(f) the Corporation was assigned a loan in 2313329 Ontario Ltd. with an estimated fair value at initial recognition of $2.6 million under the effective interest method at March 22, 2012. The Corporation performed an impairment test of the loan at December 31, 2012 and determined impairment had occurred due to increased risk associated with collecting the principal upon maturity. Based on the application of accounting standards for the impairment testing of loans and receivables, the Corporation recognized an impairment of $0.6 million at December 31, 2012.

8. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

(thousands of dollars)

	Principal Activity	Reporting Date	Ownership Interest 2012	Ownership Interest 2011	Carrying Value 2012	Carrying Value 2011
Associates						
Bioriginal Food and Science Corporation (a)	Crop genetics, alternative foods	September 30	**49.9%**	49.9%	**$ 4,940**	$ 2,902
Big Sky Farms Inc.(b)	Swine production	March 5	**41.8%**	41.8%	**-**	438
Jump.ca Wireless Supply Corp. (c)	Cellular marketing and distribution	March 31	**27.4%**	27.4%	**10,425**	9,355
ML OSB Limited Partnership (d)	Orientated strand board production	December 31	**25.0%**	25.0%	**22,134**	10,800
VendAsta Technologies Inc.	Social networking and web based marketing	December 31	**24.5%**	24.5%	**2,482**	2,547
Other (e)	Various	Various			**-**	-
					39,981	26,042
Jointly controlled entities						
Foragen Technologies Limited Partnership (f)	Agricultural venture capital	December 31	**33.3%**	33.3%	**5,449**	7,815
					$ 45,430	$ 33,857

a) For the year ended December 31, 2012, the Corporation recorded equity earnings of $1.8 million (2011 - $1.1 million) based on its ownership interest in Bioriginal. The various intangible assets with defined lives identified upon acquisition were amortized over useful lives ranging from 0.5 years to 5 years, and were fully amortized at December 31, 2011.

b) On September 10, 2012, Big Sky Farms Inc. (Big Sky) was placed in receivership by creditors, resulting in the Corporation impairing the remaining carrying value of its investment, recording a $0.3 million impairment, in addition to the $0.2 million in equity losses recorded by the Corporation prior to Big Sky entering receivership. On October 18, 2012 the Saskatchewan Court of Queen's Bench approved a purchase offer Big Sky received from a third party, for proceeds less than the outstanding debt of Big Sky. On January 21, 2013 the sale was finalized, resulting in Nil proceeds to the Corporation and no residual interest in Big Sky.

c) For the year ended December 31, 2012, the Corporation recorded equity earnings of $1.1 million based on its ownership interest in Jump.ca Wireless Supply Corp. (Jump.ca).

d) The Corporation, through its wholly owned subsidiary CIC OSB Products Inc., owns common shares of Meadow Lake OSB Limited Partnership (ML OSB). During the year, the Corporation advanced $2.5 million in additional equity as AMI's share of a pro-rata equity injection made by shareholders. For the year ended December 31, 2012, the Corporation recorded equity earnings of $1.4 million based on its ownership interest in ML OSB. In addition, the Corporation reversed $7.5 million of a $7.5 million impairment previously recognized in 2011. This recovery was due to improvements in ML OSB's operating results in 2012, as well as improved long-term forecasts for the industry as a whole at December 31, 2012.

8. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES *(continued)*

e) During the year, the Corporation invested $0.1 million of follow on investment in Solido Design Automation, and recorded equity losses of $0.1 million based on its ownership interest. The Corporation has discontinued recognition of its share in net losses of various associates totaling $3.3 million for the year ended December 31, 2012 (2011 - $2.4 million) and $6.1 million cumulatively at December 31, 2012.

f) The Corporation, through its wholly owned subsidiary CIC FLTP Holdings Inc., owns limited partnership units in Foragen Technologies Limited Partnership (Foragen). This joint venture contributed equity earnings of $2.9 million to the Corporation's financial results. During the year, the Corporation received cash distributions of $5.2 million as a return of capital from Foragen.

The Corporation's share of income from its equity accounted investees for the year was $6.9 million (2011 - loss of $2.7 million). The Corporation's equity accounted investees are as follows:

- Bioriginal Food and Science Corp.
- Big Sky Farms Inc.
- Can Pro Ingredients Ltd.
- Corporation HET
- Jump.ca Wireless Supply Corp.
- Meadow Lake OSB Limited Partnership
- Solido Design Automation Inc.
- VendAsta Technologies Inc.
- Western Life Sciences Venture Fund Limited Partnership
- Foragen Technologies Limited Partnership (Joint Venture)

Summarized financial information for equity accounted investees, not adjusted for the percentage ownership held by the Corporation is detailed as follows:

	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Revenues	Expenses	Profit (Loss)
December 31, 2011	$ 99,562	$ 241,323	$ 100,553	$ 97,479	$ 349,985	$ 378,364	$ (28,379)
December 31, 2012	$ 68,648	$ 183,650	$ 61,394	$ 20,917	$ 368,685	$ 353,272	$ 15,413

9. PROVISIONS

(thousands of dollars)

	Environmental Remediation (a)	Reinsurance Liabilities (b)	Total
Balance at January 1, 2011	$ 102,595	$ 10,848	$ 113,443
Reduction of provisions	(41,798)	-	(41,798)
Settlement of provisions	-	(6,007)	(6,007)
Recovery on settlement	-	(4,841)	(4,841)
Balance at December 31, 2011	$ 60,797	$ -	$ 60,797

	Environmental Remediation (a)	Reinsurance Liabilities (b)	Total
Balance at January 1, 2012	$ 60,797	$ -	$ 60,797
Increase in provisions	2,997	-	2,997
Reduction of provisions	(28)	-	(28)
Settlement of provisions	-	-	-
Recovery on settlement	-	-	-
Balance at December 31, 2012	$ 63,766	$ -	$ 63,766

a) Environmental remediation

The following are included in the provision for environmental remediation liabilities:

i) The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. The Corporation has accrued $10.4 million (2011 - $10.0 million) to carry out clean-up activities and associated costs related to an indemnity provided by Prince Albert Pulp Company Ltd. (PAPCO) and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 related to the Prince Albert pulp mill site. The Corporation is a successor corporation to PAPCO and therefore has recorded the estimated cost of its assumed obligations related to the PAPCO site. The increase in the liability of $0.4 million is due to third party engineers' assessment of costs to remediate. The timing to complete this remediation is indeterminable at this time.

ii) The Corporation has accrued $53.0 million (2011 - $50.5 million) to carry out the clean-up activities related to an indemnity provided by PAPCO and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 relating to the ERCO Worldwide chemical plant. The increase in the liability of $2.5 million is due to third party engineers' assessment of costs to remediate. The timing to complete this remediation is indeterminable at this time.

iii) The Corporation has recorded $0.4 million (2011 - $0.4 million) for estimated groundwater monitoring and health risk assessment costs related to an obligation of Meadow Lake Pulp Limited Partnership as a result of the sale of its assets. These funds are held in trust according to court order, and are to be applied against continued site monitoring expenses through to January 2017, at which time residual amounts may be utilized to conduct a human health and ecological assessment according to the landfill closure plan prepared for the site by environmental consultants. During the year $28 thousand was incurred for monitoring costs.

b) Reinsurance liabilities

The Corporation, through its subsidiary HARO Financial Corporation, owned 65.2 per cent of Crown Life Insurance Company (Crown Life). As part of the final closing of the sale of Crown Life to Canada Life

9. PROVISIONS (continued)

b) Reinsurance liabilities *(continued)*

Assurance Company (Canada Life), the Corporation issued a $26.1 million letter of credit to Canada Life as security for outstanding litigation matters related to regular insurance transactions and marketing practices of Crown Life that are deemed to be the responsibility of Crown Life prior to the final closing. The letter of credit was reduced to Nil in 2011 due to the settlement of the litigation matters for a cash payment of $6.0 million. The Corporation recorded a recovery on the settlement of the provision of $4.8 million for the year ended December 31, 2011.

10. SHARE CAPITAL AND CAPITAL DISCLOSURES

(thousands of dollars)

As a wholly-owned subsidiary of CIC, the Corporation's share capital currently consists of funds invested by CIC in the amount of $80.0 million (2011 - $80.0 million). The capital structure is determined in conjunction with the shareholder based on the approved business plan.

The Corporation's objectives when managing capital are to ensure adequate capital to support the operations of the Corporation, and to ensure adequate returns to the shareholder.

The Corporation has adequate cash and short-term investments on hand to meet its obligations.

	2012	2011
Authorized:		
Unlimited common shares with no par value		
Issued and outstanding:		
(2012 - 7,999,983 common shares)		
(2011 - 7,999,983 common shares)	$ 80,000	$ 80,000
Shares redeemed during year:		
2012 - Nil (2011 - Nil)	-	-
Cost at end of year	$ 80,000	$ 80,000

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

(thousands of dollars)

	2012	2011
Unrealized foreign currency translation losses	$ (477)	$ (670)

12. COMMITMENTS AND CONTINGENCIES

The following significant commitments and contingencies exist at December 31, 2012:

a) In the normal course of business, the Corporation became involved in claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2012 cannot be predicted with certainty, it is the opinion of management that resolution of these matters will not have a material adverse effect on the Corporation's financial position or results of operations. The Corporation will therefore account for these matters in the year of resolution.

b) The Corporation has entered into an investment management agreement with a third party investment manager. Under the terms of this agreement, the investment manager may be entitled to performance fees on gains realized upon the disposition of any investment. Due to the terms of the agreement, it is not possible to quantify the amount of such performance fees until the time of the disposition of the investment although the Corporation has accrued the best estimate of these fees at the reporting date. It is the opinion of management that resolution of these matters will not have a material effect on the Corporation's financial position or results of operations.

12. COMMITMENTS AND CONTINGENCIES *(continued)*

c) Included in long term restricted cash is $4.5 million which has been placed in trust under order of the Court of Queen's Bench of Saskatchewan, related to potential environmental remediation of a landfill site previously operated by Meadow Lake Pulp Limited Partnership. The $4.5 million is the estimate of the costs which may be required to remediate the site, as determined by third party experts. The Corporation's obligation to incur these costs is contingent on the findings from ongoing groundwater monitoring at the location, which is expected to continue until 2017; at which time the Corporation will either incur the remediation costs, or the funds will be released from trust if results from groundwater monitoring indicate further remediation is not required. Due to uncertainty regarding the future findings of groundwater monitoring, the $4.5 million held in trust has not been included as a liability in these financial statements.

13. ITEMS NOT AFFECTING CASH FROM OPERATIONS

(thousands of dollars)

	2012	2011
Share of (earnings) losses from equity investments	$ (6,865)	$ 2,715
Recovery of reinsurance liabilities	-	(4,965)
Provision for (recovery of) environmental remediation liabilities	2,997	(41,798)
Loss (gain) on sale of investments	423	(1,965)
Net (increase) decrease in value of investments	(2,384)	14,320
Cash (recoveries) loss included in net change in value of investments	(670)	1,225
Provision for loan losses	15,262	3,363
Non-controlling interest	(646)	(771)
Working capital balances related to investments	(30)	(50)
Other non-cash items	(26)	2,494
	$ 8,061	$ (25,432)

14. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

(thousands of dollars)

	2012	2011
Increase in interest and dividends receivable	$ (309)	$ (138)
Decrease in accounts receivable	428	866
Decrease in trade and other payables	(142)	(1,721)
	$ (23)	$ (993)

15. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to AMI by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties). AMI has elected to take a partial exemption under IAS 24 - *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government or other government related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

Included in accounts receivable is Nil (2011 - $294 thousand) due from First Nations and Metis Fund Inc., a related party through common control, for the sale of a loan.

15. RELATED PARTY TRANSACTIONS *(continued)*

CIC provides management services to the Corporation without charge. The Corporation estimates $150 thousand (2011 - $141 thousand) of CIC's senior management time is expended on the Corporation.

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(thousands of dollars)

Financial instruments

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgement and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The classification of the Corporation's financial instruments is as follows:

		2012		2011	
Financial Instruments	Classification (i)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
Cash and cash equivalents	FVTPL	$ 77,429	$ 77,429	$ 88,266	$ 88,266
Short-term investments	FVTPL	88,186	88,186	74,593	74,593
Interest and dividends receivable	LAR	743	743	434	434
Accounts receivable	LAR	328	328	756	756
Restricted cash	FVTPL	12,552	12,552	12,556	12,556
Investments - fair value	FVTPL	9,418	9,418	21,055	21,055
Investments - loans and other advances	LAR	12,361	(ii)	33,887	(ii)
Financial Liabilities					
Trade and other payables	OL	2,215	2,215	2,357	2,357

i) Classification details are:

FVTPL - fair value through profit or loss
LAR - loans and receivables
OL - other liabilities

ii) The uncertainty and potentially broad range of fair values for Investments - loans and other advances, renders the disclosure of a fair value with appropriate reliability impractical. Loans are reviewed for indications of impairment annually as detailed in Note 3(d).

a) Fair value hierarchy

Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of inputs used in the valuation.

Level 1 - Quoted prices are readily available from an active market.
Level 2 - Inputs, other than quoted prices included in level 1 that are observable either directly or indirectly.
Level 3 - Inputs are not based on observable market data.

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

Financial Instruments *(continued)*

a) Fair value hierarchy *(continued)*

AMI's financial instruments are categorized within this hierarchy as follows:

	2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 77,429	$ -	$ -	$77,429
Short-term investments	88,186	-	-	88,186
Restricted cash	12,552	-	-	12,552
Investments - fair value	1,561	-	7,857	9,418

	2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 88,266	$ -	$ -	$ 88,266
Restricted cash	12,556	-	-	12,556
Investments - fair value	2,773	-	18,282	21,055

Changes in Level 3 investments carried at fair value are as follows:

	2012	2011
Balance, beginning of year	$ 18,282	$ 24,170
Purchases of investments	-	-
Proceeds on sale of investments	(5,878)	-
Realized gain on sale of investments	188	-
Realized losses on sale of investments	(673)	-
Unrealized losses attributable to assets held at the end of the year included in net earnings (loss)	(4,062)	(5,888)
Balance, end of year	$ 7,857	$ 18,282

i) Financial instruments categorized as level 3

In estimating fair value for equity investments designated as fair value through profit or loss (FVTPL), the Corporation places priority on observable market information for the particular security when such information is available, namely the security's closing price on the listing exchange. The fair values of unlisted securities are established according to the requirements of IAS 39 - *Financial Instruments: Recognition and Measurement.* In applying IAS 39, the Corporation considers the guidance provided by the International Private Equity and Venture Capital (IPEV) guidelines, as well as the Canadian Institute of Chartered Business Valuators (CICBV), within the constraints of IAS 39.

Where evidence of a recent, arm's length transaction has occurred in the shares of unlisted equity position held by the Corporation, the Corporation considers such a transaction to generally provide a good indication of fair value. Where a recent, arm's length transaction has not occurred, or secondary indicators exist which would question the applicability of a recent transaction, the Corporation considers alternative valuation methodologies permitted under IAS 39. These methods are primarily focused on the projected earnings or cash flows of the business, discounted to present value by applying a discount rate which appropriately reflects industry and company specific risk factors.

Determining fair value for the Corporation's equity investments which are not publicly traded and recorded at fair value through profit or loss requires application of professional judgement and use of estimates. Significant estimates utilized by the Corporation include the timing and amount of future cash flows,

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

Financial Instruments *(continued)*

a) Fair value hierarchy *(continued)*

i) Financial instruments categorized as level 3 *(continued)*

anticipated economic outlook for the investee's industry, impact of pending or potential regulation or legislation, forecast consumer tastes, emergence of substitute products, anticipated fluctuations in commodities prices, and macroeconomic demand.

Significant aspects of professional judgement include selecting an appropriate valuation approach, determining a range of appropriate risk adjusted rates of return for a series of cash flows, and assessing the risk inherent in cash flows, the probabilities of micro and macroeconomic variables occurring, and probabilities of potentially significant company, industry, or economic factors occurring or failing to occur as the case may be.

In circumstances where fair value cannot be estimated reliably, the investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since been impaired. All recorded values of investments are reviewed at each reporting date for any indication of impairment and adjusted accordingly.

Long-term debt

The fair value of long-term debt is determined by the present value of future cash flows, discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

Other financial assets and liabilities

Other financial assets and liabilities including interest and dividends receivable, accounts receivable and trade and other payables have not been classified in the fair value hierarchy given that carrying value approximates fair value due to immediate or short-term maturity.

Financial risk management

a) Market risk

AMI is exposed to market risk (equity prices, interest rates and foreign exchange rates), credit risk and liquidity risks. AMI mitigates the risk through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return. The Corporation manages the following market risks:

Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment. The Corporation mainly invests in private companies, which may result in greater industry concentration and a limited number of companies. These companies may also be impacted directly or indirectly by changes in equity price risk.

All venture investments held by the Corporation present a risk of loss of capital due to business failures; however, the values of publicly traded venture investments are directly linked to movements in the stock market. The private venture investments are also indirectly linked to the general market trends to the extent that poor market conditions may place downward pressure on valuations of the Corporation's holdings due to reduced levels of activity in the initial public offering and merger and acquisition markets. The maximum risk resulting from financial instruments is equivalent to their fair value. The fair value of these equities at December 31, 2012 was $9.4 million (2011 - $21.1 million).

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

a) Market risk *(continued)*

Equity price risk *(continued)*

AMI's equity price risk has been assessed relative to the Toronto Stock Exchange (TSX) and the TSX Venture Exchange (TSX-V), which are considered by management to reflect the broad market factors impacting the Corporation's equity investments classified as FVTPL. Based on this assessment, AMI anticipates that a 10 per cent change in the average of the TSX and TSX-V indices would result in an 11.6 per cent (2011 - 11.5 per cent) change in the fair value of the Corporation's equity investments classified as FVTPL.

Due to the geographic concentration in Saskatchewan combined with the industry composition of the Corporation's equity portfolio, there may be additional factors influencing AMI's equity price risk which may not correlate to factors reflected in the TSX and TSX-V indices. As a result of the inherent difficulty in forecasting and quantifying the events or factors which could result in the Corporation's FVTPL portfolio diverging from trends identified in the broad Canadian public equity markets, management considers comparison to the TSX and TSX-V most objective in the circumstances.

Interest rate risk

AMI is exposed to changes in interest rates in its cash and cash equivalents, fixed income investments, including short-term investments and restricted cash. Based on year end balances, It is estimated that a 100 basis point increase or decrease in interest rates would decrease or increase annual profit or loss by $1.8 million at December 31, 2012 (2011 - $1.8 million).

Foreign currency risk

AMI is exposed to currency risk, primarily US dollars, through some of the Corporation's equity based investments. AMI does not believe that the impact of fluctuations in foreign exchange rates on anticipated transactions will be material and therefore has not provided a sensitivity analysis of the impact on net earnings.

b) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. AMI maintains credit policies and limits in respect to short-term investments.

The carrying amount of financial assets represents the maximum credit exposure as follows:

	2012	2011
Cash and cash equivalents	$ 77,429	$ 88,266
Short-term investments	88,186	74,593
Interest and dividends receivable	743	434
Accounts receivable	328	756
Restricted cash	12,552	12,556
Investments - fair value through profit or loss	9,418	21,055
Investments - loans and other advances	12,361	33,887
	$ 201,017	$ 231,547

The allowance for doubtful accounts, which provides an indication of potential impairment losses, is reviewed quarterly based on an analysis of the aging of accounts receivable and an estimate of outstanding amounts that are considered to be uncollectible. Historically, AMI has not written-off a significant portion of its accounts receivable balances.

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

b) Credit risk *(continued)*

The aging of accounts receivable are detailed as follows:

Accounts receivable	2012	2011
Current	$ 112	$ 415
30-59 Days	-	-
60-89 Days	-	-
Greater than 90 Days	216	341
Gross accounts receivable	328	756
Allowance for doubtful accounts	-	-
Net accounts receivable	$ 328	$ 756

c) Liquidity risk

Liquidity risk is the risk that AMI is unable to meet its financial commitments as they become due. AMI is a subsidiary of CIC and as such has access to capital markets through the Saskatchewan Ministry of Finance. AMI, through its diversified holdings and capital allocation, can allocate resources to ensure that all financial commitments made are met.

Where necessary AMI can borrow funds from CIC, adjust dividend rates, or be provided with equity injections to solve any liquidity issues.

AMI's only contractual obligations are trade and other payables. All trade and other payables are due in 2013.

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